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S E C R E T SECTION 01 OF 02 TAIPEI 001530

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SUBJECT: FORMER VICE PREMIER TSAI ON TAIWAN POLITICS,  
U.S.-TAIWAN RELATIONS

Classified By: AIT Director Stephen M. Young; Reasons: 1.4 (b/d)

Summary:

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11. (S) During a one-on-one lunch July 6 with Director, former Vice Premier Tsai Ying-wen shared plans for her future, a critique of internal DPP politics and her own sense of the dilemma Chen Shui-bian faces over U.S.-Taiwan relations and his legacy quest. Tsai offered some personal suggestions as to how to manage this last issue effectively.  
End Summary

Internal DPP politics

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12. (C) Tsai believed Frank Hsieh is capable of juggling the delicate DPP politics necessary to support his presidential candidacy, but she admitted they are complex. A particular problem is the party apparatus, currently in the hands of deep green advocate Yu Shyi-kun, who is not even susceptible to Chen Shui-bian's influence anymore, according to Tsai. Despite his poor showing in the DPP primary, Yu is trying to box Hsieh into hard-line positions as the campaign unfolds. Chen himself has a complex 30-year relationship of cooperation and competition with Hsieh.

Managing Chen Shui-bian from Washington

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13. (S) President Chen remains fixated on his legacy, and feels he has one last chance to advance it now that he has weathered the worst of his family scandals and before the presidential campaign gets too far along. That explains his advocacy of the UN referendum, though Tsai hinted that this might still be derailed if Chen senses that U.S. opposition actually threatens to damage the DPP's chances in next year's presidential election. Tsai, who made it clear she is still in regular contact with Chen, said he was quite sensitive to the American perspective, but she argued that quiet diplomacy was much more effective than highly visible public exchanges. The latter forces Chen to combat the image of a weak leader being pushed around by Washington (and Beijing), making it less likely he would yield. Director made it clear Chen risks further trouble from the U.S. over his pursuit of the UN referendum, the last in a long series of steps that have frustrated senior Washington policymakers. Did Chen really want significant long-term damage to U.S.-Taiwan relations to be part of his legacy?

14. (S) Tsai was a bit coy in suggesting how to proceed, but eventually slipped in the suggestion that a respected interlocutor from Washington might help convince Chen that he is on a collision course with the Bush Administration on the UN referendum. She had no real sense who this could be, but suggested someone sufficiently senior and respected here who used to work in the Bush Administration. The important thing was to convince Chen that the message being delivered by the Director reflected the bottom line for the Bush Administration. In this regard, Tsai portrayed the 2003 message to Chen as partially effective, leaving the impression that President Bush's rebuke in the Oval Office with Wen Jiabao had convinced Chen that he was in trouble, but had limited his options to change direction because of its public nature. The bottom line, according to Tsai, is that no one in the DPP can dismiss the goal of entering the UN under the name of Taiwan, but practical politics allows for flexibility if the time does not seem ripe for pushing this idea.

Su Tseng-cheng  
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15. (C) Tsai told us Su had told her he would stay on as Premier after being beaten by Frank Hsieh in this May's DPP primary, but had to her surprise then gone privately to President Chen and offered his resignation, which Chen accepted. Tsai contended, without providing real evidence, that Su's resignation was his own, and not a result of Chen's pressure. Had he won the primary, Su would definitely have stepped down to concentrate on the campaign. Tsai said Su knew he faced a difficult contest against Hsieh, but was still surprised by the strength of Hsieh's primary victory

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this May. Tsai noted that Su has now publicly stated he does not seek the Vice President nomination, and opined that Yeh Chu-lan is a credible candidate with impeccable "pro-independence" credentials (due to her husband's suicide in 1990), but who has the ability to adjust and adopt practical approaches to political problems.

Taiwan's APEC Representative  
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16. (S) Tsai appeared to be poorly informed of recent complications in her nomination to represent APEC at the Sydney Summit in September. In an earlier exchange during this meeting, she had admitted that she still labored under the false but widespread opinion that she was the instigator of former President Lee Teng-hui's "state-to-state" theory in 1999. Tsai claimed in reality that Lee had merely been influenced by a study she had overseen in the early nineties which laid this out as one of many options to deepen Taiwan's sovereignty. She insisted she was not brought into Lee's confidence as he prepared his response to the German written interview in 1999, where the theory was publicly expounded for the first time. Tsai knew the Australian envoy scheduled to come to Taipei later this summer would conclude the process of formally selecting Taiwan's representative, but was under the (false) impression from Foreign Minister Huang that Australia had still not been told of her candidacy. Director indicated only that Australia was wrestling with the nomination, and that China would have a significant impact on Canberra's decision.

Plans for the future, promotion of bio-tech  
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17. (C) Tsai has near-term plans to visit Europe later this summer on vacation. She is also interested in visiting the United States later this year in connection with her long-time support for expanded Taiwan development of the bio-tech sector. Tsai told the Director that as Vice Premier she had worked with MOEA, MinFin, National Science Council, Academia Sinica and other government groups to promote Taiwan's bio-tech sector. Her group had determined that a national bio-tech law that provides tax incentives and other

protections to research and development firms was a critical first step. She boasted that -- working closely and quietly with LY Speaker Wang Jin-pyng -- she drafted and passed this essential law earlier this summer, borrowing liberally from an American text that was promulgated in the 1990's. Tsai had high praise for Wang's flexibility and foresightedness in managing the politics of the LY on this issue. Another close ally of Tsai's is new Academia Sinica President Wong Chi-huey, who has long experience in this field and retains a professional relationship with the Scripps Institute in La Jolla, California. Tsai told us she would like to plan a trip to San Diego, San Francisco and Boston to further pursue Taiwan bio-tech development with American scientists and businesses already heavily engaged in this field. The focus for Taiwan's bio-tech sector would be on developing new medicines for international marketing.

Comment

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18. (S) Tsai is clearly still in contact with key political figures, even though she insists she wants to stay out of government now and focus more on her bio-tech promotion project. We have little doubt she was trying to influence our read of internal politics, and will probably report back to Chen and others aspects of today's exchange. But Tsai is also a fairly credible interlocutor, and this one-on-one exchange was the most candid we have had over the course of a nearly decade-long association.

YOUNG